

Unit 14 - Week 12

Course outline

How does an NPTEL online course work?

week 0

Week 1

Week 2

Week 3

Week 4

Week 5

Week 6

Week 7

Week 8

Week 9

Week 10

Week 11

Week 12

Lecture 56 : Foreign Exchange Market-I

Lecture 57 : Foreign Exchange Market-II

Lecture 58 : Foreign Exchange Market-III

Lecture 59 : Foreign Exchange Market-IV

Lecture 60 : Foreign Exchange Market-V

Lecture Material

Quiz : Assignment 12

Feedback form for Week 12

DOWNLOAD VIDEOS

Detailed Solution

Text Transcripts

Live Interactive Session

Assignment 12

The due date for submitting this assignment has passed.
As per our records you have not submitted this assignment.

Due on 2020-04-22, 23:59 IST.

- 1) REER is obtained by inflating NEER by the corresponding relative interest rates. 1 point
- a. True
 b. False
- No, the answer is incorrect.
Score: 0
Accepted Answers:
b. False
- 2) The foreign exchange market (FEM) is not a physical place. 1 point
- a. True
 b. False
- No, the answer is incorrect.
Score: 0
Accepted Answers:
a. True
- 3) Arbitrageurs in foreign exchange markets attempt to make profits by outguessing the market. 1 point
- a. True
 b. False
- No, the answer is incorrect.
Score: 0
Accepted Answers:
b. False
- 4) US\$1 = ₹ 75 is a direct quotation of the exchange rate of Indian Rupees. [consider US\$ as the foreign currency] 1 point
- a. True
 b. False
- No, the answer is incorrect.
Score: 0
Accepted Answers:
a. True
- 5) £1 = US\$1.24 is a direct quotation of the exchange rate of sterling. [consider US\$ as the foreign currency, Britain is home] 1 point
- a. True
 b. False
- No, the answer is incorrect.
Score: 0
Accepted Answers:
b. False
- 6) Indirect exchange rate quotation represents the relationship between two currencies that are different from one's base currency. 1 point
- a. True
 b. False
- No, the answer is incorrect.
Score: 0
Accepted Answers:
b. False
- 7) In the exchange rate £1 = US\$1.432-1.433, \$1.433 is the offer rate of sterling. 1 point
- a. True
 b. False
- No, the answer is incorrect.
Score: 0
Accepted Answers:
a. True
- 8) \$1= 140 Japanese Yen; £1=196 Japanese Yen; £1=\$1.4; Sam has 1400 Japanese Yen and want to convert it to Pound sterling. Using the above information, which of the following statement(s) is/are true? 1 point
- a. Locational Arbitrage is possible
 b. Locational Arbitrage is not possible
 c. Triangular arbitrage is not possible
 d. Triangular arbitrage is possible
- No, the answer is incorrect.
Score: 0
Accepted Answers:
c. Triangular arbitrage is not possible
- 9) When exchange rate increases, the domestic currency is said to have _____ and foreign currency _____. 1 point
- a. Depreciated, Appreciated
 b. Appreciated, Depreciated
 c. Appreciated, Appreciated
 d. Depreciated, Depreciated
- No, the answer is incorrect.
Score: 0
Accepted Answers:
a. Depreciated, Appreciated
- 10) Fisher effect examines the relationship between inflation rate, nominal interest rates and real interest rates. Which of the following is an approximate representation of the relationship? 1 point
- a. Real interest rate = Nominal interest rate – Inflation rate
 b. Real interest rate = Nominal interest rate + Inflation rate
 c. Nominal interest rate = Inflation rate – Real interest rate
 d. (1+ Real interest rate) = (1+Nominal interest rate) (1+ Inflation rate)
- No, the answer is incorrect.
Score: 0
Accepted Answers:
a. Real interest rate = Nominal interest rate – Inflation rate
- 11) The diagram below shows an increase in the value of rupees relative to dollar as the supply curve shifts from S₁ to S₂. 1 point
-
- a. True
 b. False
- No, the answer is incorrect.
Score: 0
Accepted Answers:
a. True
- 12) If the relative inflation rate in India increases, which of the following is a possibility? 1 point
- a. Increase in demand for dollars in India, increase in supply of dollars from the US
 b. Increase in demand for dollars in India, decrease in supply of dollars from the US
 c. Decrease in demand for dollars in India, decrease in supply of dollars from the US
 d. Decrease in demand for dollars in India, increase in supply of dollars from the US
- No, the answer is incorrect.
Score: 0
Accepted Answers:
b. Increase in demand for dollars in India, decrease in supply of dollars from the US
- 13) Country ABC has a home currency of Dollars. If an export company from the country increases its exports, which of the following is a possibility? 1 point
- a. Increase in supply of foreign currency, increase in demand for dollars
 b. Increase in demand of foreign currency, increase in supply of dollars
 c. Increase in supply of foreign currency, decrease in demand for dollars
 d. Increase in demand of foreign currency, decrease in supply of dollars
- No, the answer is incorrect.
Score: 0
Accepted Answers:
a. Increase in supply of foreign currency, increase in demand for dollars
- 14) Forward exchange rates are useful for those who wish to: 1 point
- a. Protect themselves from the risk that the exchange rate will change before a transaction is completed.
 b. Gamble that a currency will rise in value.
 c. Exchange currencies at a point in time in the future.
 d. All of the above
- No, the answer is incorrect.
Score: 0
Accepted Answers:
d. All of the above
- 15) Which of the following statement(s) is are true? 1 point
- Statement I: Most foreign exchange markets in developing countries are either pure dealer markets or a combination of dealer and auction markets.
Statement II: The trading in FEM is usually done 24 hours a day by telephones, display monitors, telex and fax machines, and the satellite communications network called the Society for Worldwide International Financial Telecommunications (SWIFT)
- a. Only I
 b. Only II
 c. Both I and II
 d. Neither I nor II
- No, the answer is incorrect.
Score: 0
Accepted Answers:
c. Both I and II
- 16) Which of the following statements are true? 1 point
- a. NEER measures the multilateral nominal exchange rate movement between a home country and trading partners adjusted for by the respective weights of the trading partners
 b. REER is obtained by deflating NEER by the corresponding relative inflation rates
 c. REER greater than 100 indicates that the home currency is "overvalued" and is expected to depreciate.
 d. All of the above
- No, the answer is incorrect.
Score: 0
Accepted Answers:
d. All of the above
- 17) The interbank market can be said to have two parts: direct and indirect. The indirect market is sometimes characterized as _____ market: 1 point
- a. "quasi-centralised, continuous, open-bid, double-auction"
 b. "quasi-centralised, continuous, limit-book, single-auction"
 c. "decentralised, continuous, open-bid, double-auction"
 d. "centralised, continuous, open-bid, single-auction "
- No, the answer is incorrect.
Score: 0
Accepted Answers:
b. "quasi-centralised, continuous, limit-book, single-auction"
- 18) Banks cannot charge their customers more than the interbank selling or ask rate and cannot pay their customers less than the interbank buying or bid rate. 1 point
- a. True
 b. False
- No, the answer is incorrect.
Score: 0
Accepted Answers:
b. False
- 19) Non-sterilised intervention occurs when the authorities purchase or sell foreign exchange, normally against their own currency, without any offsetting actions. 1 point
- a. True
 b. False
- No, the answer is incorrect.
Score: 0
Accepted Answers:
a. True
- 20) Investment in a downstream supplier (backward) or upstream purchaser (forward) as compared to the business that the firm operates in its home country indicates horizontal FDI 1 point
- a. True
 b. False
- No, the answer is incorrect.
Score: 0
Accepted Answers:
b. False